

Interim Report Q1-Q3 2020

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Financial summary Q1-Q3 2020

- DLR's earnings from core activities were satisfactory in Q1-Q3 2020. Core profit before impairments amounted to DKK 799m, which is DKK 3m less than for the same period in 2019
- The corona pandemic had a negative impact on the period's result due to increased impairment charges on loans and receivables
- DLR has instituted additional impairment charges of DKK 106m in Q1-Q3, a management supplement to offset the expected consequences of the corona pandemic, mainly for DLR's commercial property customers
- Pre-tax profit was DKK 714m, which is DKK 128m down on the same period in 2019
- The level of lending activity has been reasonably high despite the corona pandemic. Gross lending amounted to DKK 27.3bn (nominal), while net lending amounted to DKK 7.0bn (nominal)
- For full-year 2020, DLR expects a core profit before impairments in the range DKK 1,000 – 1,050m and a pre-tax profit of DKK 875-925m. Due to the corona situation, the economic outlook for 2020 is still subject to increased uncertainty, as is DLR's guidance on this year's profit.

Financial highlights

Key figures, DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Income statement							
Administration margin income	1,295	1,216	106	436	431	427	417
Other core income, net	104	100	105	34	30	40	44
Interest expenses, senior debt and subordinated debt	-45	-34	134	-16	-15	-14	-10
Fee and commission income, net	-329	-272	121	-114	-106	-109	-100
Core income (mortgage lending income)	1,025	1,010	102	340	340	345	351
Staff costs and administrative ex- penses, etc.	-215	-199	108	-72	-69	-74	-77
Other operating expenses	-11	-9	131	-4	-5	-3	-3
Result from core activities before losses and impairments	799	802	100	264	267	268	271
Impairments on loans and re- ceivables, etc.	-58	33		-1	-5	-52	53
Portfolio earnings (securities)	-27	7		8	41	-76	-82
Profit before tax	714	842	85	271	302	140	242
Net profit	556	657	85	211	236	109	189
Balance sheet at end	Q1-Q3 2020	Q1-Q3 2019	Index 20/19	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Assets							
Mortgage loans	163,785	155,256	105	163,785	160,634	157,889	156,837
Bonds and shares, etc.	11,180	9,448	118	11,180	10,488	12,667	11,769
Other assets	3,139	9,319	34	3,139	2,121	4,435	4,622
Total assets	178,104	174,023	102	178,104	173,243	174,991	173,228
Liabilities and equity							
Issued mortgage bonds	161,575	158,005	102	161,575	157,266	158,493	157,639
Other liabilities	1,252	1,522	82	1,252	912	1,667	978
Subordinated debt	1,300	650	200	1,300	1,300	1,300	1,300
Equity	13,977	13,847	101	13,977	13,766	13,530	13,311
Total liabilities and equity	178,104	174,023	102	178,104	173,243	174,991	173,228

Financial ratios *	Q1-Q3 2020	Q1-Q3 2019	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Return on equity (ROE)						
Profit before tax as pc of equity *	5.2%	6.3%	2.0%	2,2%	1.0%	2.0%
Profit after tax as pc of equity *	4.1%	4.9%	1.6%	1.7%	0.8%	1.5%
Solvency						
Total capital ratio *	17.2%	15.6%	17.2%	17.1%	17.0%	17.1%
Lending Activity						
Growth in loan portfolio, pc (nominal) *	4.5%	3.9%	1.8%	1.0%	1.7%	1.7%
Gross new lending (DKKm)	27,306	30,908	9,743	6,756	10,807	12,153

*) Financial ratios calculated in accordance with the definitions of the Danish FSA.

Executive summary

Chief Executive Officer Jens Kr. A. Møller states in connection with the release of the interim report for Q1-Q3:

Satisfactory pre-tax profit of DKK 714m

DLR's earnings and lending activity have essentially been satisfactory for Q1-Q3 2020, even though much of the period has been marked by the corona pandemic and its subsequent impact on parts of the economy.

DLR's earnings before taking into account the effects of the corona pandemic were similar to the same period last year and better than expected. The result from core activities before impairments and portfolio earnings was thus DKK 799m for the first nine months of the year compared to DKK 802m for the same period last year.

Impact of corona crisis on DLR's customers has been limited

Lending growth – net lending – amounted to DKK 7.0bn for the first three quarters of the year, which is more than expected and better than for the same period in 2019, when net lending totalled DKK 5.3bn. Lending growth has been particularly pronounced in the commercial property segment.

Driven in part by significant remortgaging activity, gross lending reached DKK 27.3bn, which was also better than expected. The positive development in lending activity is not least due to a still very close and well-functioning collaboration with our partner/shareholder banks.

DLR's exposure to commercial customers directly hit by the negative consequences of the corona pandemic is limited. Hence, the number of corona-related loan-payment deferrals was also at a very low level at the end of Q3.

At the end of H1 2020, DLR implemented impairment charges totalling DKK 106m to offset an increase in credit risk resulting from the corona situation. As we do not assess there to have been any deterioration in customers' ability to pay in Q3, we are maintaining the impairment amount at the end of the quarter. To the extent these impairments result in actual losses, they can to a large extent be offset in DLR's commission payments to the banks.

Despite a decline in product prices, the main areas of agricultural production have continued to enjoy acceptable terms of trade and satisfactory earnings. We expect this will continue for the rest of this year and into 2021. The recent discovery of African swine flu among wild boar in south-east Germany has had a negative impact on the European pork market, while weaner export prices have also come under pressure. However, the outlook for Danish pork exports, particularly to Asian markets, remains positive.

DLR's pre-tax profit at the end of Q3 was DKK 714m compared to DKK 842m for the same period in 2019. In light of the corona pandemic, we consider the result to be satisfactory.

Given the result for the first three quarters of 2020, we are raising our guidance for DLR's full-year 2020 pre-tax profit to DKK 875-925m from the DKK 775-825m announced in connection with the interim report for H1 2020. Due to the corona pandemic, our full-year guidance is subject to considerable uncertainty.

*Jens Kr. A. Møller
Managing Director & CEO*

Financial review

Key figures, DKKm	Q1-Q3 2020	Q1-Q3 2019	Index 20/19
Income statement			
Administration margin income	1,295	1,216	106
Other core income, net	104	100	105
Interest expenses, senior debt and subordinated debt	-45	-34	134
Fee and commission income, net	-329	-272	121
Core income (mortgage lending income)	1,025	1,010	102
Staff costs and administrative expenses, etc.	-215	-199	108
Other operating expenses	-11	-9	131
Result from core activities before losses and impairments	799	802	100
Impairments on loans and receivables, etc.	-58	33	
Portfolio earnings (securities)	-27	7	
Pre-tax profit	714	842	85
Net profit	556	657	85

Core profit before impairments

Administration margin income amounted to DKK 1,295m, which is DKK 79m up on the same period in 2019. The increase was mainly due to the loan portfolio expanding.

Other core income (net), which concerns loan origination fees and various other income, amounted to DKK 104m, which is DKK 4m higher than for the same period in 2019.

Interest expenses on senior and subordinated debt amounted to DKK 45m, an increase of DKK 11m. The increase was due to a further issuance of tier 2 debt amounting to DKK 650m in Q4 2019.

Fees and commissions (net) include, on the one hand, income in the form of fees and brokerage in connection with the disbursement and repayment of mortgage loans, plus spread income stemming from loan refinancing and disbursements and, on the other hand, expenses in the form of commission payments to the banks that have intermediated DLR's loans. Expenses include both intermediation commissions and commission for the provision of loss guarantees, etc.

Fees and commissions (net) amounted to an expense of DKK 329m, which is DKK 57m more than the same period in 2019. Higher net expenses were due to a combination of a reduction in fee and commission income of DKK 9m and an increase in

fee and commission expenses of DKK 48m. The latter should be seen in light of the expanding loan portfolio and the resulting rise in commission expenses for loss guarantees, etc.

Core income was subsequently DKK 1,025m, an increase of DKK 15m on the same period in 2019.

Staff costs and administration expenses, etc. amounted to DKK 144m, which is DKK 11m more than for the same period in 2019.

Other operating expenses amounted to DKK 11m and concern a contribution to the Resolution Fund, which is administered by Finansiel Stabilitet.

Losses and impairments on loans and receivables, including adjustments from previous years amounted to an expense of DKK 58m. The amount covers the following items:

- Realised losses, etc. DKK -10m.
- Losses offset in commission payments from the banks DKK +5m.
- Net change in impairments DKK -53m

The change in impairments comprises a reduction in individual impairments of DKK 38m and a reduction in modelled impairments of DKK 11m. Both elements are primarily a result of the improved economic situation for the main areas of agricultural production. In contrast, additional impairment charges of DKK 106m have been made as a result of the corona pandemic. The latter were instituted as a management supplement based on the current expected consequences of the corona pandemic for the sectors that DLR has loan exposures to. We should also state here that no reason has been found to further increase impairment charges due to the coronavirus with respect to pig or dairy producers, or crop producers.

Portfolio earnings

DLR's investment portfolio (portfolio assets excl. temporary liquidity) amounted to DKK 21.9bn at the end of Q3 2020.

Portfolio earnings added up to an expense of DKK 27m. DLR has placed the bulk of its portfolio holdings in short-term mortgage bonds, which because of a negative yield generate a negative return.

Profit for the period, comprehensive income and its allocation

Pre-tax profit was subsequently calculated as DKK 714m, while the result after tax amounted to DKK 556m. The comprehensive income for the period was thus also DKK 556m, which has been added to DLR's equity capital.

Balance sheet

Mortgage credit lending amounted to DKK 161.6bn (nom.) at the end of Q3 2020.

DLR's bond portfolio stood at DKK 31bn. Of this, DLR's own bonds accounted for DKK 19.9bn, which is netted in "Issued bonds at fair value", while DKK 11.1bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 31.0bn, DLR held other portfolio assets in the form of receivables from Danmarks Nationalbank and credit institutions and receivable interest on securities totalling DKK 2.8bn, thus giving total portfolio assets of DKK 33.8bn (gross) at the end of Q3 2020.

Temporary surplus liquidity connected with refinancing auctions, mortgage payments and loan redemptions comprised DKK 11.9bn, in all, of the total portfolio assets of DKK 33.8bn, so the investment holding was thus DKK 21.9bn.

DLR's balance sheet stood at DKK 178.1bn at the end of Q3 2020.

Capital and solvency

DLR's capital and solvency situation at the end of Q3 2020 appears in the table below.

Own funds

DLR's own funds increased by DKK 108m (net) over the first three quarters of the year.

The increase of DKK 108m was essentially due to a rise in equity resulting from the sale of treasury shares for DKK 110m.

DLR's own funds at the end of Q3 2020 do not include the result for the quarter, as the accounts have not been audited.

	30 Sep. 2020	31 Dec. 2019
Equity	13,977	13,311
Profit, etc. not recognised in tier 1 capital	-556	0
Deductions as a consequence of prudent valuation	-22	-26
Difference between expected losses and impairment losses	-643	-638
Common equity tier 1 capital	12,755	12,647
Subordinated capital (tier 2 capital)	1,300	1,300
Deductions in tier 2 capital	0	0
Own funds	14,055	13,947
Risk-weighted exposure with credit risk, etc.	77,587	76,853
Risk-weighted exposure with market risk	1,656	2,555
Risk-weighted exposure with operational risk	2,376	2,376
Total risk-weighted exposure	81,619	81,784
Common equity tier 1 capital ratio (%)	15.6%	15.5%
Total capital ratio (%)	17.2%	17.1%

Risk exposure amount

DLR's total risk exposure amount (REA) is calculated as DKK 81.6bn at the end of Q3 2020, which is DKK 0.2bn lower than at the end of 2019. The decrease of DKK 0.2bn

is due to a rise in credit risk exposure of DKK 0.7bn combined with a fall in market risk exposure of DKK 0.9bn.

The reason for the DKK 0.7bn rise in credit risk exposure is essentially an increase in the loan portfolio and the number of loan offers.

The fall in market risk exposure is a consequence of the decline in duration on DLR's bond holdings.

Capital ratios

The total capital ratio is calculated as 17.2 at the end of Q3 2020, which is an increase of 0.1 per cent. The common equity tier 1 (CET 1) capital ratio was 15.6, which is also an increase of 0.1 per cent relative to the end of 2019.

Including the result for the period would produce a total capital ratio of 17.9 and a CET 1 capital ratio of 16.3.

Risk

DLR's credit and market risk are estimated as limited due to both the statutory requirements and DLR's internal credit policy guidelines. Additionally, DLR has established loan loss schemes, including a guarantee provision that has been set up to cover DLR's various lending areas in accordance with agreements made with DLR's partner/shareholder banks.

For further details on credit and market risk, please refer to DLR's Risk and Capital Management Report 2019, available at www.dlr.dk/risk-reports

Arrears and losses

As of the end of Q3 2020, mortgage payments outstanding amounted to DKK 79m versus DKK 89m at year-end 2019. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on 36 cases in Q1-Q3 2020 compared to 57 during the same period in 2019.

DLR had 5 foreclosed mortgages in its portfolio at the end of Q3 2020. The value of these properties amounted to DKK 3m at the end of Q3 2020 compared to DKK 42m at year-end 2019.

At the March 2020 mortgage payment date, DLR noted a total of 260 corona-related payment deferrals, the vast majority of which were paid within three months. At the June 2020 mortgage payment date, around 40 deferrals were noted due to the corona situation. At the September 2020 mortgage payment date, 4 deferrals were noted due to the corona situation.

Full-year outlook for 2020

DLR's Annual Report 2019 indicated expected core earnings for full-year 2020 of DKK 900-950m and a pre-tax profit of DKK 800-850m.

Full-year 2020 guidance was adjusted in connection with the release of the accounts for both Q1 and H1 2020 to a core profit before impairment charges in the range DKK 900-1,000m and a pre-tax profit of DKK 775-825m.

After the close of Q3 2020, we continue to see extraordinary uncertainties resulting from the corona pandemic. However, DLR's business activities have so far not been noticeably affected. In light of the favourable trend in lending activity over the first three quarters of the year, we now expect core profit before impairment charges in the range DKK 950-1,050m for full-year 2020 and a pre-tax profit of DKK 875-925m.

Accounting policies

DLR's interim report has been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority as well as the requirements provided by NASDAQ Copenhagen for the financial statements of issuers of listed bonds.

Accounting policies are unchanged relative to DLR's Annual Report for 2019.

This financial statement has not been subject to audit or review.

Events occurring after the reporting date

No events have occurred after the reporting date that change DLR's result or balance sheet for Q1-Q3 2020.

Further information

For further information on DLR, please refer to www.dlr.dk/welcome-investorpage, where the Annual Report 2019 and DLR's Risk and Capital Management Report, etc. can be downloaded.

You will also find further information here on DLR's cover pools and ratings.

Contacts

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- Pernille Lohmann, Managing Director, tel. 33 42 08 74

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Income statement and statement of comprehensive income (DKKm)

Note		Q1 - Q3 2020	Q1 - Q3 2019
1	Interest income	2,366	2,368
2	Interest expenses	-958	-1,029
	Net interest income	1,408	1,339
	Share dividends etc.	0	0
	Fees and commission income	186	195
	Fees and commission paid	-515	-467
	Net interest and fee income	1,080	1,067
3	Market value adjustments	-100	-69
	Other operating income	18	19
4-5	Staff costs and administrative expenses	-213	-197
	Depreciation and impairment of property, plant and equipment	-2	-2
	Other operating expenses	-11	-9
6	Impairment of loans, advances, receivables, etc.	-58	33
	Profit before tax	714	842
0	Tax	-157	-186
	Profit after tax	556	657
	Comprehensive income		
	Profit for the year	556	657
	Attributable to: Shareholders of DLR Kredit A/S	556	657

Balance

(DKKm)

Note		30 Sep- tember 2020	31 Decem- ber 2019
	Assets		
	Cash balance and demand deposits with central banks	50	50
7,13	Due from credit institutions and central banks	2,738	4,129
8, 10-12	Loans, advances and other receivables at fair value	163,772	156,821
9, 12	Loans, advances and other receivables at amortised cost	12	16
14	Bonds at fair value	11,146	11,732
	Shares etc.	34	36
15	Land and buildings, domicile properties	119	120
	Other property, plant and equipment	7	7
	Current tax assets	22	13
	Assets held temporarily	3	42
16	Other assets	176	237
	Prepayments	24	24
	Total assets	178,104	173,228
	Equity and liabilities		
17	Issued bonds at fair value	155,567	149,630
18	Issued bonds at amortised cost	6,008	8,009
19	Other liabilities	1,236	966
	Deferred income	3	4
	Total liabilities	162,814	158,609
	Provisions for deferred tax	13	8
	Total provisions	13	8
	Subordinated debt	1,300	1,300
	Total subordinated debt	1,300	1,300
	Share capital	570	570
	Revaluation reserve	62	62
	Undistributable reserve	2,338	2,338
	Retained earnings etc.	11,008	10,341
	Total equity	13,977	13,311
	Total equity and liabilities	178,104	173,228
20	Off-balance sheet items		
	Guarantees	0	2
21	Other contingent liabilities	7,831	10,118

Statement of changes in equity

(DKKm)

	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
2019					
Equity at 1 January	570	62	2.338	10.004	12.974
Profit for the year	0	0	0	846	846
Revaluation of property	0	0	0	216	216
Acquisition of treasury shares	0	0	0	-725	-725
Equity at 31 December	570	62	2.338	10.341	13.311
2020					
Equity at 1 January	570	62	2.338	10.341	13.311
Profit for the year	0	0	0	556	556
Disposal of treasury shares	0	0	0	110	110
Acquisition of treasury shares	0	0	0	0	0
Equity at 30 September	570	62	2.338	11.008	13.977

1) The share capital is divided into shares of DKK 1.00 each. The total number of shares is 569,964,023. DLR has one share class, and all shares carry equal rights.

2) DLR held 46,122,083 (2019: 50,752,863) treasury shares at 30 September 2020, corresponding to a nominal value of DKK 46.1m (2019: DKK 50.8m). The portfolio of treasury shares accounts for 8.1% (2019: 8.9%) of the total share capital.

Capital and solvency

(DKKm)

	30 Sep- tember 2020	31 Decem- ber 2019
Equity	13,977	13,311
Profit etc. not recognised in tier 1 capital	-556	0
Deductions as a consequence of prudent valuation	-22	-26
Difference between expected losses and impairment losses	-643	-638
Common equity tier 1 capital	12,755	12,647
Subordinated capital (tier 2 capital)	1,300	1,300
Deductions in tier 2 capital	0	0
Own funds	14,055	13,947
Risk-weighted exposure with credit risk etc.	77,587	76,853
Risk-weighted exposure with market risk	1,656	2,555
Risk-weighted exposure with operational risk	2,376	2,376
Total risk-weighted exposure	81,619	81,784
Common equity tier 1 capital ratio	15.6%	15.5%
Total capital ratio	17.2%	17.1%
	30 Sep- tember 2020	31 Decem- ber 2019
Statement of capital adequacy	2020	2019
Own funds after deductions	14,055	13,947
Internal capital base	-7,491	-7,529
SIFI buffer	-816	-818
Capital conservation buffer	-2,040	-2,045
Countercyclical buffer	0	-818
Systemic buffer Faroe Island	-10	-7
Reserved "debtbuffer"	-275	0
Excess capital adequacy	3,422	2,730

Notes

Notes Income statement

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- 5 Remuneration for members of the Executive Board and the Board of Directors etc.
- 6 Impairment of loans, advances, receivables, etc.

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Income statement

(DKKm)

	Q1 - Q3 2020	Q1 - Q3 2019
1 Interest income		
Due from credit institutions and central banks *	0	0
Loans and advances	890	1,047
Contributions	1,295	1,216
Bonds	80	85
Issued bonds at fair value **	52	0
Other interest income	79	71
Total	2,396	2,419
Interest on own mortgage bonds offset against interest on issued bonds	-30	-51
Total	2,366	2,368
Of which interest income from reverse repo transactions	0	0

* Interest on positive interest rate loans and advances is included in interest income (note 1), while interest on negative interest rate loans and advances is included in interest expenses (note 2).

** Interest on positive interest rate issued bonds is included in interest expenses (note 2), while interest on negative interest rate issued bonds is included in interest income (note 1).

	Q1 - Q3 2020	Q1 - Q3 2019
2 Interest expenses		
Credit institutions and central banks	-2	-6
Issued bonds at fair value *	-888	-1,040
Issued bonds at amortised cost	-20	-21
Loans and advances**	-52	0
Other interest expenses	-25	-12
Total	-988	-1,080
Interest on own mortgage bonds offset against interest on issued bonds	30	51
Total	-958	-1,029
Of which interest expenses on repo transactions	0	0

* Interest on positive interest rate issued bonds is included in interest expenses (note 2), while interest on negative interest rate issued bonds is included in interest income (note 1).

** Interest on positive interest rate loans and advances is included in interest income (note 1), while interest on negative interest rate loans and advances is included in interest expenses (note 2).

		Q1 - Q3 2020	Q1 - Q3 2019
3	Market value adjustments		
	Mortgage loans	60	878
	Bonds	-96	-84
	Shares etc.	7	0
	Other assets	1	0
	Foreign currency	-1	1
	Derivative financial instruments	-11	15
	Issued bonds	-60	-878
	Total	-100	-69
4	Staff costs and administrative expenses		
	Staff costs		
	Salaries	-115	-107
	Pension costs	-11	-9
	Social security costs	-19	-17
	Total	-144	-133
	Other administrative expenses		
	IT expenses	-38	-32
	Audit, financial supervision and industry association	-4	-6
	Other expenses	-27	-27
	Total	-69	-64
	Total staff costs and administrative expenses	-213	-197
5	Remuneration for members of the Executive Board and the Board of Directors etc.		
	Fixed remuneration*	6.0	6.4
	Variable remuneration	0.0	0.0
	Total	6.0	6.4
	Number of members of the executive management - year-end	2	2

* At the 1st of April 2019 Pernille Lohmann entered the executive management.

* At the 1st of September 2019 Michael Jensen resigned from the executive management due to his retirement.

	Q1 - Q3 2020	Q1 - Q3 2019
6 Impairment of loans, advances, receivables, etc.		
Losses in the period	-12	-41
Amounts received on claims previously written off	2	2
Impairment losses in the period	-226	-155
Reversal of impairment losses	173	205
Losses offset against commission payments to banks	5	22
Total	-58	33

Assets

(DKKm)

	30 Sep- tember 2020	31 Decem- ber 2019
7 Due from credit institutions and central banks		
Due from central banks	600	3,700
Due from credit institutions	2,138	429
Total amount due from credit institutions and central banks	2,738	4,129

DLR had not entered into any reverse repo transactions in 2020 or in 2019

	30 Sep- tember 2020	31 Decem- ber 2019
8 Loans, advances and other receivables at fair value		
Mortgage loans, nominal value	161,560	154,590
Adjustment to fair value of underlying bonds	2,612	2,552
Adjustment for credit risk	-477	-418
Mortgage loans at fair value	163,695	156,724
Arrears before impairment losses	79	89
Other loans and outlays before impairment losses	6	22
Impairment losses on arrears and outlays	-7	-14
Total	163,772	156,821

	30 Sep- tember 2020	31 Decem- ber 2019
9 Loans, advances and other receivables at amortised cost		
Loans and advances	15	19
Adjustment for credit risk	-3	-3
Total	12	16

10	Mortgage loans (nominal value) by property category (as a percentage)	30 Sep- tember 2020	31 Decem- ber 2019
	Owner-occupied dwellings	4.7%	4.6%
	Recreational dwellings	0.2%	0.1%
	Subsidised rental housing properties	0.1%	0.1%
	Co-operative housing	2.0%	2.0%
	Private rental housing properties	18.2%	16.7%
	Properties for manufacturing and manual industries	1.3%	1.1%
	Office and business properties	17.7%	17.5%
	Agricultural properties	55.5%	57.6%
	Properties for social, cultural and educational purposes	0.0%	0.0%
	Other properties	0.2%	0.3%
	Total, %	100.0%	100.0%

11	Number of loans - end of period	30 Sep- tember 2020	31 Decem- ber 2019
		66,372	64,077

12 Impairment losses by stage

	2020			Total
	Stage 1	Stage 2	Stage 3	
Impairment of loans and advances at fair value and amortised cost *				
Beginning of year 2020	7	183	246	435
Changes during the period	-126	46	27	-53
End of Q3 2020	132	136	219	488
	2019			Total
	Stage 1	Stage 2	Stage 3	
Impairment of loans and advances at fair value and amortised cost *				
Beginning of year 2019	5	244	288	537
Changes during the period	-1	61	42	102
End of year 2019	7	183	246	435

* No loans, advances or other receivables which were credit-impaired on initial recognition were recognised in 2019 or 2020.

* Impairment losses on loans and advances at fair value and impairment losses on loans and advances at amortised cost have been aggregated as the amount of impairment of loans and advances at amortised cost represents less than 1% of the total impairment loss.

13 Impairment - other financial assets

	2020			Total
	Stage 1	Stage 2	Stage 3	
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

All assets in the above table have been classified as stage 1, meaning that impairment losses of less than DKK 0.5m have been recognised. This was also the case at the beginning of the year.

	2019			Total
	Stage 1	Stage 2	Stage 3	
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

No other financial assets which were credit-impaired on initial recognition have been recognised in 2019 or 2020.

		30 September 2020	31 December 2019
14	Bonds at fair value		
	- Own mortgage bonds	19,851	21,252
	- Other mortgage bonds	10,546	11,026
	- Government bonds	601	706
	Bonds - gross	30,997	32,984
	Own mortgage bonds offset against issued bonds	-19,851	-21,252
	Total	11,146	11,732

	30 Sep- tember 2020	31 Decem- ber 2019
15 Land and buildings, domicile properties		
Fair value, beginning of year	119,6	120,0
Additions during the year	0,0	0,0
Depreciation	-0,3	-0,4
Value changes recognised in other comprehensive income	0,0	0,0
Fair value, end of period	119,3	119,6

Domicile properties are valued on an annual basis by DLR's in-house valuation expert, who specialises in commercial property valuation.

	30 Sep- tember 2020	31 Decem- ber 2019
16 Other assets		
Positive market value of derivative financial instruments etc.	7	8
Interest and commission receivable	71	66
Other receivables	97	163
Total	176	237

Liabilities etc.

(DKKm)

	30 Sep- tember 2020	31 Decem- ber 2019
17 Issued bonds at fair value		
Mortgage bonds - nominal value	172,631	168,244
Fair value adjustment	2,787	2,638
Issued bonds - gross	175,418	170,882
Offsetting of own mortgage bonds - fair value	-19,851	-21,252
Total	155,567	149,630
Of which pre-issued, market value	4,357	3,669
Cash value of bonds drawn for redemption at next repayment date (settlement price)	2,747	6,647
18 Issued bonds at amortised cost		
Issues in connection with senior debt	6,008	8,009
Offsetting of own bonds	0	0
Total	6,008	8,009
19 Other liabilities		
Negative market value of derivative financial instruments etc.	7	7
Interest and commission payable	1,158	889
Other liabilities	72	69
Total	1,236	966

	30 Sep- tember 2020	31 Decem- ber 2019
20 Off-balance sheet items Guarantees etc.		
Financial guarantees	0	2
Other guarantees	0	0
Total	0	2
Other contingent liabilities		
Irrevocable credit commitments (loan offers)	7,831	10,118
Total	7,831	10,120

In addition to the above guarantees and contingent liabilities, DLR's bond portfolio is used as intraday collateral in connection with settlement of interest and drawings on DLR's outstanding bonds. This is not expected to entail an outflow of the Company's financial resources.

21 Contingent assets

Loss set-off agreements have been established between DLR and the banks holding shares in DLR, under which DLR may offset any loss incurred against commission payable to the banks. Set-off can be made for a number of years, which means that DLR is expected to be able to offset any losses against future commission to the extent that impairment losses on exposures materialise as actual losses.

Key figures

(DKKm)

22 Key figures - Q1 - Q3	2020	2019	2018	2017	2016
Income statement					
Net interest and fee income	1.080	1.067	1.046	1.052	1.036
Other operating income etc.	18	19	20	14	13
Staff costs and administrative expenses etc.	-226	-207	-213	-195	-183
Earnings	872	878	854	871	866
Impairment of loans, advances and receivables	-58	33	-7	115	-71
Market value adjustments	-100	-69	-148	-88	-23
Profit before tax	714	842	699	898	772
Profit after tax	556	657	545	702	603
Balance sheet					
Assets					
Loans and advances	163.785	155.256	146.505	141.995	137.875
Bonds, shares, etc.	11.180	9.448	9.039	12.366	14.970
Other assets	3.139	9.319	3.358	4.415	3.964
Total assets	178.104	174.023	158.902	158.776	156.809
Equity and liabilities					
Issued bonds	161.575	158.005	144.079	144.193	143.032
Other liabilities	1.252	1.522	1.385	1.697	1.706
Subordinated debt	1.300	650	650	650	0
Equity	13.977	13.847	12.789	12.236	12.072
Total equity and liabilities	178.104	174.023	158.902	158.776	156.809

23 Financial ratios - Q1 - Q3	2020	2019	2018	2017	2016
Return on equity					
Profit before tax in per cent of equity *)	5.2	6.3	5.5	7.3	6.3
Profit after tax in per cent of equity *)	4.1	4.9	4.3	5.7	4.9
Return on capital employed					
Return on capital employed *)	0.31	0.38	0.30	0.40	0.40
Costs					
Costs in per cent of loan portfolio	0.1	0.1	0.1	0.1	0.1
Income/cost ratio *)	3.5	5.8	4.2	12.2	4.0
Income/cost ratio, excl. impairment losses	4.4	4.9	4.3	5.0	5.6
Solvency **)					
Total capital ratio	17.2	15.6	16.4	14.8	14.1
Tier 1 capital ratio	15.6	14.8	15.5	13.9	14.1
Common equity tier 1 capital ratio	15.6	14.8	15.5	13.9	12.4
Arrears and impairment losses					
Arrears, end of period (DKKm)	79	110	137	124	137
Impairment ratio for the period *)	0.04	-0.02	0.00	-0.08	0.08
Accumulated impairment ratio	0.30	0.31	0.36	0.35	0.44
Lending activity					
Growth in loan portfolio, per cent (nominal) *)	4.5	3.9	2.5	1.5	2.6
New loans, gross (DKKm)	27,306	30,908	19,612	22,023	14,306
Number of new loans	8,409	9,137	6,055	6,432	4,578
Loan/equity ratio *)	11.7	11.2	11.5	11.6	11.4
Margins					
Percentage of average loan portfolio (nominal):					
Profit before tax	0.45	0.56	0.49	0.65	0.58
Administration margin income in per cent of average loan portfolio	0.82	0.81	0.82	0.81	0.81
Percentage of tier 1 capital after deductions					
Foreign exchange position as a percentage of tier 1 capital after deductions	1.8	3.0	4.2	9.3	9.1

*) The financial ratios have been calculated in accordance with the definitions of the Danish Financial Supervisory Authority.

Other notes

(DKKm)

24 Reconciliation of income statement for "core and portfolio earnings" against "official statements"

	Core earnings	Portfolio earnings	Total
	2020	2020	2020
	Q1 - Q3	Q1 - Q3	Q1 - Q3
Interest income	2,292	74	2,366
Interest expenses	-958		-958
Net interest income	1,334	74	1,408
Share dividends etc.	0		0
Fees and commission received	186		186
Fees and commission paid	-515		-515
Net interest and fee income	1,006	74	1,080
Market value adjustments	1	-101	-100
Other operating income	18		18
Staff costs and administrative expenses	-213		-213
Depreciation and impairment of property, plant and equipment	-2		-2
Other operating expenses	-11		-11
Impairment of loans, advances, receivables, etc.	-58		-58
Profit before tax	741	-27	714
Tax	-163	6	-157
Profit after tax	578	-21	556

25	Supervisory diamond for mortgage-credit institutions	End of Q3 2020	End of Q2 2020	Threshold
	1. Lending growth			
	Private homeowners	11,8	8,4	<15%
	Residential rental property	18,6	18,0	<15%
	Agriculture	0,9	1,7	<15%
	Other business lending	9,7	7,3	<15%
	2. Borrower interest-rate risk	15,9	16,2	<25%
	3. Interest-only lending to private home owners	1,9	1,9	<10%
	4. Loans with short-term funding			
	Q4 2019	2,4		<12,5%
	Q1 2020	2,0		<12,5%
	Q2 2020	7,1		<12,5%
	Q3 2020	2,7		<12,5%
	Loans with short-term funding annually	13,9	13,0	<25%
	5. Large exposures	29,5	27,9	< 100%

* The percentage for the individual quarters is calculated on the basis of the end-of-quarter portfolio, while the annual percentage is calculated on the portfolio at the end of the third quarter 2020. The year's percentage therefore does not correspond to the sum of the percentages in the individual quarters.

Management's statement on the interim report

The Board of Directors and the Executive Board have today considered and approved the interim report of DLR Kredit A/S for the period 1 January – 30 September 2020.

DLR's interim report has been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority as well as the requirements provided by NASDAQ Copenhagen for the financial statements of issuers of listed bonds.

The management report contains a true and fair review of developments in the Company's operations and financial position and describes significant risks and uncertainties that may affect the Company.

In our opinion, the accounting policies applied are appropriate and the interim financial statements give a true and fair view of the Company's assets, liabilities and financial position on 30 September 2020 and of the results of the Company's operations for the period 1 January – 30 September 2020.

DLR's interim report has not been subject to audit or review by the Company's auditors.

Copenhagen, 23 October 2020

Executive Board

Jens Kr. A. Møller
Managing Director &
CEO

Pernille Lohmann
Managing Director

Board of Directors

Vagn Hansen
Chairman

Lars Møller
Vice Chairman

Claus Andersen

Bjarne Larsen

Frank Mortensen

Lars Petersson

Lars Faber

Randi Holm Franke

Jakob G. Hald

Kim Hansen

Søren Jensen

dlr·kredit

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